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Public Lottery Licence Extension

September 2026

Independent assurance report to Parliament

2026–27:3

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VAGO
Victorian Auditor-General's Office

Public Lottery Licence Extension

Independent assurance report to Parliament

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September 2026

The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Public Lottery Licence Extension*.

Yours faithfully

Dave Barry

Dave Barry
Deputy of the Auditor-General
16 September 2026

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

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Review snapshot

Did the public lottery licence extension optimise value for Victoria?

Why we did this review

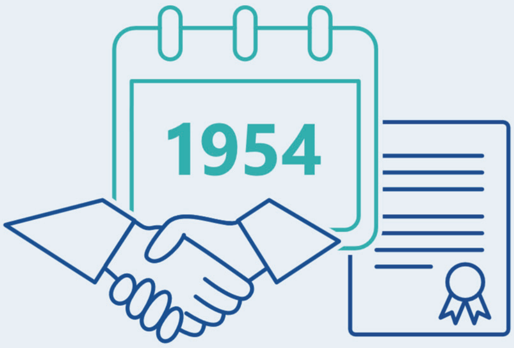
Tattersall's Sweeps Pty Ltd, through its parent company The Lottery Corporation (TLC), has held the Victorian public lottery licence (the licence) since 1954. The current licence expires in June 2028.

In May 2026, the government extended TLC's licence after a period of negotiations. It used a 'bilateral' approach, which means it did not negotiate with any other operators. It agreed to a 40-year extension, and TLC will pay the government $1.145 billion upfront.

We did this review to see if the government's strategy was appropriate and optimised value for the state.

Key background information

Tattersall's Sweeps Pty Ltd, a subsidiary of The Lottery Corporation, **has held the licence since 1954**



The Lottery Corporation will pay

$1.145 billion

to **extend** the lottery licence from **June 2028** to

June 2068

Source: VAGO.

What we concluded

We found nothing to suggest that the government's licence approach did not seek to optimise value for the state.

The government had sound reasons for negotiating with TLC bilaterally. The decision was informed by a well-structured program of work that found:

- a competitive process was unlikely to deliver a better outcome than bilateral negotiations
- continuing with TLC would minimise disruption to the state's future lottery tax revenue.

Once bilateral negotiations began, the government's ability to secure additional value from TLC largely depended on licence terms and the degree of policy flexibility it was prepared to provide. Negotiations were guided by a strategy that established objectives and negotiation parameters. We saw no evidence to suggest that agencies did not actively assess and negotiate TLC's proposals against this strategy.

The agreed premium exceeded the reserve price set by the government. The reserve price was informed by a range of modelled scenarios and assumptions based on previous gambling licensing processes. Further cross-checks of key cost assumptions and sensitivity analysis would have provided additional evidence to support the reserve price.

We found no significant probity issues. But the government's approach limited public transparency about key decisions and the reasons for them.

1. Our key findings

What we examined

Our review followed 3 lines of inquiry:

1. Was the decision to adopt a bilateral negotiation process supported by robust evidence and advice?
2. Did the Department of Treasury and Finance and Department of Justice and Community Safety follow relevant commercialisation and probity policies and processes?
3. Did the 40-year public lottery licence extension optimise value for Victoria?

To answer these questions, we examined:

- Department of Treasury and Finance (DTF)
- Department of Premier and Cabinet (DPC)
- Department of Justice and Community Safety (DJCS)
- Victorian Gambling and Casino Control Commission (VGCCC).

Terms used in this report

Agencies

In this report, agencies refers to DTF, DPC and DJCS. It does not include the VGCCC which is referred to separately where relevant.

Bilateral

A bilateral approach involves negotiations between only 2 parties. This contrasts with multilateral negotiations or competitive bidding, which usually involve several potential parties and proposals.

Select expression of interest

The select expression of interest (EOI) process was a structured bilateral process where the government invited TLC to submit and negotiate proposals for a potential extension of the public lottery licence.

Background information

Current Victorian public lottery licence

The current Victorian public lottery licence (the licence) started in June 2018 and is scheduled to end on 30 June 2028. The government granted the licence to Tattersall's Sweeps Pty Ltd under the *Gambling Regulation Act 2003* (the Act). The Lottery Corporation (TLC) is the parent company of Tattersall's Sweeps Pty Ltd.

The licence authorises the operator to run specified public lotteries in Victoria, subject to conditions set by the Minister for Casino, Gaming and Liquor Regulation (the Minister).

The government awarded the 2018 licence through a competitive process. The Minister invited registrations of interest, shortlisted applicants and then assessed formal applications before determining the successful licensee.

The Minister exercised powers under the Act to grant the licence and impose conditions, with associated contractual agreements governing operational and commercial arrangements.

The licence covers:

- TattsLotto
- Oz Lotto
- Powerball
- Super 66
- Weekday Windfall
- Draw Lotteries
- Instant Scratch-Its
- Set for Life.

Context for the current licence extension

On 4 May 2026, the Minister extended the licence with TLC for a further 40 years, from 30 June 2028 to 30 June 2068. TLC will pay the Victorian Government $1.145 billion upfront as part of the agreement.

TLC announced the extension through the Australian Stock Exchange on 5 May 2026. This was the first public disclosure of the extension and nature of negotiations.

As a large, long-term transaction involving a monopoly licence, the extension raises important considerations about the process the government followed, including whether it delivered value for money.

Impact on the state's fiscal targets

The licence extension requires Tattersall's Sweeps Pty Ltd to pay the $1.145 billion to the government in 2 instalments in 2026–27. The payment is reflected in the state Budget initially as unearned revenue in the balance sheet, then it will be progressively recognised in the income statement as revenue on a pro-rata basis over the term of the licence.

The cash benefit to the state happens when the government receives the payments. The upfront payment will improve the state's short-term net debt position and net operating cash flow in the year received.

Public lottery legislation and licensing

Public lotteries in Victoria are governed by the Act, which establishes the legal basis for the Minister to issue licences to carry out gambling activities.

The licence authorises the licensee to run lottery products subject to statutory requirements, licence conditions and responsible gambling obligations. It defines the rights and obligations of the operator and helps the government to oversee lottery activities.

Recent legislative and policy changes

Before 2025, Victorian public lottery licences were subject to shorter maximum terms, usually up to 10 years with extensions permissible for up to one year.

Legislative amendments in 2025 gave the Minister broader discretion over how long to extend licences, which enabled significantly longer-term arrangements.

This change expanded the options available to the government in structuring future licence agreements and was a key enabler of the recent licence extension transaction.

Roles and responsibilities

Figure 1: Agencies responsible for the new licence and their main roles

DTF	Advises the government on the Budget and commercial matters, including valuation, negotiation strategy and assessment of value for the state.
DJCS	Administers the legislative framework and supports the Minister on licensing matters.
VGCCC	Oversees regulatory compliance, including monitoring the licensee's adherence to licence conditions and responsible gambling obligations.
DPC	Participates in steering committees and working groups as part of the licensing process.

Source: VAGO.

Role of the Independent Review Panel

The Independent Review Panel was established under the Act to provide independent oversight of the integrity of major gambling licensing processes.

Its report on the licence extension, *Independent Review Panel Lotteries Licensing Process,* focused on the authorisation and licensing process commencing in May 2025.

The Independent Review Panel's statutory function was to assess whether the process was conducted with appropriate probity and integrity. This includes whether conflicts of interest were disclosed and managed, decision-making was free from bias or improper interference, and evaluation processes were systematic and based on defined criteria.

Timeline of key events

The licence extension happened in 2 phases, which are the:

- licence strategy and price discovery phase
- bilateral negotiations, select EOI and invitation to apply process.

The licence strategy and price discovery phase included market soundings, industry and financial analysis to test options before EOI. It informed the government's decision to negotiate bilaterally with TLC and covers the period from November 2023 to May 2025. Key events are described in Figure 2.

Figure 2: Licence strategy and price discovery phase timeline

Date	Key event
2023	
17 November	TLC sends an 'illustrative proposal' to the Treasurer and the Minister. This was an initial proposal to extend the licence by 20 to 40 years in return for a material upfront payment. TLC sought the opportunity to discuss with the Treasurer and Minister.
12 December	The government approves DTF to confidentially assess reform options for the lottery licence.
14 December	The Treasurer meets with TLC, along with officials from DTF and DJCS, to discuss TLC's illustrative proposal. The Treasurer noted advice would be sought from DTF and DJCS.
2024	
7 June	The Minister approves DJCS and DTF to conduct market soundings to gauge interest in the lottery licence.
1–24 July	Market soundings are held with 5 entities to test potential interest in the licence, and to convey the state's objectives and openness to negotiating licence terms.
30 October	Following Treasurer approval, DTF writes to TLC seeking clarification on possible premiums for different licence terms and lottery tax rates.
6 November	The government approves a proposed engagement and negotiation strategy for the next public lottery licence, including bilateral discussions with TLC, subject to a reserve price threshold being met.
27 November	The Treasurer approves the reserve price framework.
28 November	TLC replies to DTF's clarification letter of 30 October. TLC indicated a preference for a long-term licence with current or reduced lottery tax rates. It also proposed other changes that could increase the premium paid to the state.
2025	
7 April	The government approves commencing a relicensing process with TLC on the potential licence extension. This decision was informed by an assessment of TLC's proposals by DTF and its commercial adviser, in consultation with other relevant agencies.

Source: VAGO.

The bilateral negotiations, select EOI and invitation to apply process helped govern the negotiations and licence extension. These stages cover the period from May 2025 to May 2026. Key events are described in Figure 3.

Figure 3: Bilateral negotiations, select EOI and invitation to apply process timeline

Date	Key event
2025	
19 May	The Minister approves the bilateral engagement and signs the EOI invitation package to be sent to TLC.
27 May	The Minister issues the EOI invitation to TLC. The invitation noted that a competitive approach remains an option for the government if the Minister decides not to extend the licence based on the EOI process.
13–19 June	DJCS, DTF and their advisers correspond and meet with TLC to clarify aspects of the proposals and process.
24 June	The Gambling Legislation Amendment Bill receives Royal Assent, providing greater flexibility in the licence term.
11 July	TLC submits an EOI responding to the EOI invitation.
July to December	DJCS, DTF and their advisers continue to evaluate and interact with TLC to clarify aspects of its proposal.
2026	
11 February	The Independent Review Panel provides a 'letter of comfort' to the Minister indicating that it has no basis for an adverse report based on information available to it at the time.
24 February	The Minister approves DJCS' recommendation to extend the lottery licence for 40 years for a $1.139 billion premium (the final premium was later agreed at $1.145 billion).
5 March	The government endorses the in-principle decision by the Minister under the Act to extend the licence for 40 years from 1 July 2028 to 30 June 2068.
27 March	The Minister writes to TLC proposing licence terms and invites TLC to apply for a licence extension.
21 April	TLC responds to the invitation to apply with its licence extension application, including proposed premiums and licence conditions.
28 April	Agencies finalise the invitation to apply evaluation report, which informs the Minister's decision on the licence extension.
30 April	The Minister agrees to formalise the decision to extend the licence for 40 years for a $1.145 billion premium payment.
4 May	The Minister executes the licence extension documents (and DJCS informs TLC), giving effect to the agreement between the state and TLC.

Source: VAGO.

What we found

This section focuses on our key findings:

1. Agencies used a structured program of work to help the government make informed decisions.
2. The government had a credible basis for negotiating with TLC bilaterally.
3. Agencies followed a documented strategy during bilateral negotiations and actively considered trade-offs.
4. We found no significant probity issues, but the government's approach limited public transparency.
5. Some cost inputs used to inform reserve price thresholds were not cross-checked by DTF against alternative estimation approaches or subjected to sensitivity analysis.

The full list of our recommendations, including agency responses, is at the end of this section.

Consultation with agencies

When reaching our conclusions, we consulted with the reviewed agencies and considered their views.

You can read their full responses in Appendix A.

Key finding 1: Agencies used a structured program of work to help the government make informed decisions

We found no evidence to suggest the government wanted to negotiate bilaterally with TLC before it considered alternative options.

TLC gave the government an unsolicited illustrative proposal in November 2023. Agencies then carried out a structured program of work to assess options for the future licence. This included engaging a commercial adviser to provide advice on potential licensing approaches and negotiation strategies.

Agencies sought relevant government approvals at key stages of the process. The information provided to the government reflected the evidence available to agencies.

Key finding 2: The government had a credible basis for negotiating with TLC bilaterally

Supported by an external commercial adviser, agencies analysed the industry, undertook market soundings and considered other lottery licence processes to advise the government on potential licensing and negotiation approaches. This work identified factors that may have constrained effective competition, including TLC's access to the national lottery bloc and lower operating costs.

In addition, agencies identified the importance of Victoria's continued participation in the national lottery bloc to minimise potential disruption and risks to future lottery tax revenues.

Taken together, this analysis indicated that TLC was likely to place a higher value on the licence than potential new entrants and provide the state with greater certainty about future lottery tax revenues. This provided a credible basis for the government to adopt a bilateral negotiation approach.

Key finding 3: Agencies followed a documented strategy during bilateral negotiations and actively considered trade-offs

Agencies actively considered trade-offs and negotiated with TLC, including on the material adverse change (MAC) arrangement that relates to lottery tax. This arrangement meant the government accepted a form of constraint on future lottery tax changes in exchange for a materially higher upfront premium.

Agencies had a structured negotiation strategy that was supported by the reserve price framework, defined negotiation parameters and the continuing option to revert to a competitive process.

The government did not accept all of TLC's proposals and accepted some only after negotiating changes. These decisions were informed by analysis carried out by agencies and their commercial adviser. This indicates that the government actively considered trade-offs and maintained negotiation discipline throughout the process.

Key finding 4: We found no significant probity issues, but the government's approach limited public transparency

The government established governance structures to oversee the licensing process. This included:

- a steering committee made up of senior representatives from DJCS, DTF and DPC, which provided oversight and strategic direction
- a project working group, which coordinated analysis, stakeholder engagement and development of key documentation
- the engagement of a probity adviser
- a probity plan, which the steering committee approved in March 2024.

These arrangements provided a structured framework for the government to oversee and coordinate the licensing process.

We found no evidence to cause concern regarding probity matters. This is consistent with probity adviser reporting, and the Independent Review Panel's letter of comfort and its final report completed after the transaction concluded.

However, the government's approach limited public visibility over key decisions and the reasons for them, such as the basis for adopting bilateral negotiations and extending the licence, and how the transaction benefits the state.

Addressing this finding

We made 2 recommendations to agencies about developing a framework to consider how and when information about major commercial transaction processes can be disclosed to support transparency.

Key finding 5: Some cost inputs used to inform reserve price thresholds were not cross-checked by DTF against alternative estimation approaches or subjected to sensitivity analysis

The government used reserve prices as a decision threshold to assess whether a bilateral approach offered enough value compared to a competitive process. These prices were informed by external advice including modelling about the premiums that could be achieved under different strategies. The modelling considered a range of scenarios such as licence term, lottery tax rates and operator types, and relied on a number of assumptions that were informed by market soundings, other licensing processes, and the adviser's insights into the lottery market.

We did not see evidence that some key modelling inputs relating to operator cost assumptions used in the modelling (such as cost of equity and debt, and operating and capital costs) were cross-checked against alternative market-based data or estimation approaches, or subjected to sensitivity analysis. Doing this would have helped to demonstrate that the reserve price thresholds were robust.

Addressing this finding

We made one recommendation to DTF about ensuring that key cost assumptions underpinning valuations and reserve prices are cross-checked against other estimation approaches and subjected to sensitivity analysis.

See the next page for the complete list of our recommendations, including agency responses.

2.

Our recommendations

We made 3 recommendations to address our findings. The relevant agencies have either accepted them in principle or in full.

			Agency responses
Finding: We found no significant probity issues, but the government's approach limited public transparency			
Department of Treasury and Finance and Department of Premier and Cabinet	1	Work with relevant agencies to develop a framework for assessing how and when information about major commercial transaction processes should be disclosed to support public understanding of key government decisions and their rationale, taking into account commercial confidentiality requirements (see Section 5).	Accepted in principle
Department of Justice and Community Safety	2	Apply the framework developed under Recommendation 1 to future processes for the awarding or extension of gambling licences. If such a framework is not established, develop guidance that addresses the same transparency and commercial confidentiality considerations (see Section 5).	Accepted in principle
Finding: Some cost inputs used to inform reserve price thresholds were not cross-checked by the Department of Treasury and Finance against alternative estimation approaches or subjected to sensitivity analysis			
Department of Treasury and Finance	3	For major commercial transactions, ensure that key cost assumptions underpinning valuations and reserve prices are cross-checked against alternative estimation approaches where appropriate, and subjected to sensitivity analysis (see Section 3).	Accepted

3.

Licence strategy and price discovery

Nothing has come to our attention to indicate that the government had decided on a bilateral approach prior to undertaking a process to consider its options.

The government's decision to adopt a bilateral strategy was informed by market soundings, commercial analysis and expert advice that the incumbent would value the licence more highly than potential competitors, and that effective competition would be limited.

The government also considered that continuing with TLC would reduce risks to the state's future lottery licence tax revenues.

Reserve prices established by relevant agencies played a critical role in assessing whether the outcomes available through bilateral negotiations justified continuing that approach.

However, we did not see evidence showing how alternative assumptions for some key cost inputs may have affected the valuations and reserve price thresholds informing those decisions.

Covered in this section:

- The government explored a range of options for the next licence
- The government established a reserve price framework to inform decision-making
- Reserve prices relied on key modelling assumptions
- A clarification process with TLC informed the negotiation strategy

The government explored a range of options for the next licence

Bilateral negotiations considered alongside other options

DTF, in consultation with relevant agencies, progressed options for the approach to the next licence throughout 2024. This followed government approval on 12 December 2023 that DTF undertake a confidential assessment of reform options.

Informed by ongoing research and analysis, advice provided to Ministers and the government during 2024 showed bilateral negotiations were considered alongside a competitive process. Some advice indicated that bilateral engagement was most likely to maximise value to the state.

However, nothing has come to our attention to suggest that the government or agencies were not committed to a structured process to fully consider available options, consistent with the government decision, before deciding to pursue a bilateral approach with the incumbent.

Rationale for bilateral discussions

DTF engaged a specialist commercial adviser in February 2024 to assist in the development and implementation of options for the negotiation strategy.

Informed by insights into other lottery processes and market soundings with potential operators, the commercial adviser identified several reasons why the incumbent was likely to place a higher value on the licence:

- Structural constraints on effective competition: The government does not control access to national lottery bloc arrangements, which are critical to offering high-value products. Market soundings indicated bidder interest depended on securing bloc access, making strong competition uncertain.
- Strength of incumbency: TLC's existing position in national bloc arrangements, established products and customer base reduce its commercial risk and operating costs relative to potential new entrants.
- Limited credibility of a competitive 'fallback': Without guaranteed bloc access, a competitive tender would be unlikely to generate strong participation or meaningful price tension.
- Ability to negotiate value through licence settings: Bilateral engagement allowed direct negotiation of factors such as licence term and risk allocation that were expected to affect the premium TLC would pay.

Key issue: Lottery bloc arrangements

The lottery bloc is an arrangement between lottery operators across different Australian jurisdictions to offer shared national products, with a common prize pool and a coordinated game structure. These arrangements allow participants to access larger jackpots and underpin the commercial value of major lottery products. Access to bloc products is therefore a significant component of a licence holder's revenue and market position.

Access to the lottery bloc is a key factor affecting the ability of new entrants to compete effectively with the incumbent. Although a new operator may be able to obtain access through commercial negotiation, the terms and cost of participation are uncertain. Any access fees, revenue-sharing arrangements or other commercial conditions may affect the profitability of bloc products and reduce the value of the licence to a potential entrant.

Without access, or with unfavourable access terms, a new entrant may be limited to offering a narrower or less competitive product suite, reducing expected revenue and licence value.

Government approval of strategy

Informed by agency advice, in November 2024 the government approved an engagement and negotiation strategy for the next lottery licence, including bilateral discussions with the incumbent if a reserve price threshold was met. The approval noted that the Treasurer and the Minister would agree on the reserve price threshold. A report setting out the substantive findings from industry analysis was attached to the approval briefing.

We saw nothing that gave us cause for concern that this industry analysis was not sound in terms of providing a credible basis for adopting a bilateral approach.

The government established a reserve price framework to inform decision-making

Analysis of bidding dynamics

The government's decision to continue bilateral negotiations depended on whether TLC's proposals exceeded reserve price thresholds. The testing of the assumptions used to inform those thresholds was therefore important for demonstrating that the decision benchmark was robust.

DTF's commercial adviser undertook modelling to estimate premiums that may be paid by different types of operators over different licence terms and lottery tax rates. The modelling was informed by other gambling licensing processes, market soundings, and the adviser's industry insights. The modelling informed the reserve prices used to assess TLC's proposals during a bid clarification process.

The adviser considered that in a competitive process, TLC would likely bid only high enough to exceed the next best alternative rather than bid its full valuation of the licence.

The commercial adviser considered that in a bilateral process this dynamic is absent, and TLC may be willing to pay a higher premium if it could directly negotiate licence terms with the government.

Different reserve prices were set for different licence terms and lottery tax rates. They were set above the range of values the commercial adviser considered likely to be achievable through a competitive process, providing a benchmark against which agencies could assess TLC's proposals.

The thresholds were intended to ensure that a bilateral outcome would only proceed where it was expected to deliver greater value than the likely outcomes of a competitive process.

Consideration of licence term

Advice provided to agencies showed a longer licence term was expected to support a higher upfront premium by providing greater certainty and more time for an operator to realise returns on investment. The advice also noted that a longer licence term transfers the risk of structural shifts from retail to online sales to the licence holder, citing lessons from the Victorian wagering and betting licence, where market changes reduced the value of a state-based licence over time.

The commercial adviser also noted that a longer licence term would delay the next opportunity to test the market and reduce future policy flexibility. A longer licence term would also require legislative amendment (with extensions permissible for up to one year at the time of the advice).

The adviser therefore recommended assessing licence duration alongside broader policy objectives and testing different term scenarios through market engagement and price discovery. These were reflected in the reserve price framework summarised above.

The adviser also recommended that where the state is unable to maximise value with TLC, a shorter 10-, 15- or 20-year licence could be considered to reduce the incumbency and cost of capital advantage held by TLC, and to encourage greater competition from potential new entrants.

Consideration of lower lottery tax rates

The lottery tax rate is a key driver of licence value. The commercial adviser modelled the effect of different lottery taxes on expected licence premiums. Under the modelling, higher lottery tax rates reduced the value of the licence to an operator, while lower lottery tax rates increased value by increasing the cash flows available to the licensee.

This analysis informed reserve prices for the lower lottery tax rate options considered by the government.

These reserve price thresholds provided the benchmark against which the government assessed whether lower lottery tax rate options represented sufficient value relative to maintaining the current lottery tax rate.

Reserve prices relied on key modelling assumptions

A standard discounted cash flow approach was applied

The commercial adviser's valuation of premiums across different bidder types was based on discounted cash flow modelling. The discounted cash flow model used a standard valuation approach: forecast cash flows were generated for each bidder type over a licence period and then discounted using a weighted average cost of capital to estimate present value.

General basis for assumptions

The reserve price framework relied on a number of assumptions.

The key financial assumptions made were stated by the adviser to be 'illustrative only' of how a licensee might approach the next licence. The adviser developed these assumptions based on its insights into gambling licensing processes across various jurisdictions, and the observed bidding behaviour of incumbent licensees versus potential new entrants.

Where assumptions materially influence outcomes, it is important that they are tested against alternative evidence when possible to do so, and subject to sensitivity analysis so decision-makers can understand their potential impacts. However, for some cost assumptions used in the modelling, we did not see evidence that these practices were applied.

For finance, operating and capital costs, we did not see evidence that sensitivity analysis was undertaken which would have helped decision-makers understand the potential impact of alternative assumptions. For finance costs, we also did not see evidence that the assumptions used in modelling were checked against alternative market-based approaches and data.

As a result, the robustness of the reserve price thresholds was less clearly demonstrated than it could have been.

DTF's testing of advice

Government decisions about the negotiation strategy relied heavily on advice provided by the commercial adviser engaged by DTF. We would expect to see robust testing of advice provided by external consultants to agencies, particularly for transactions involving a significant public asset such as the public lottery licence.

DTF said the commercial adviser's work was assessed in a range of ways including:

- DTF and DJCS staff participating in market soundings with adviser staff, providing agencies with direct insight into the adviser’s market analysis
- collaboration with the adviser on the reserve price framework and valuation model, including testing assumptions and recommending changes
- involvement in the options and scenario analysis used to inform consideration of the MAC policy
- regular meetings with the adviser, supported by working group and project team forums involving agency staff, to discuss progress, analysis and findings.

These indicate a process of ongoing engagement between DTF and the commercial adviser. We have not seen direct evidence of DTF's testing of key assumptions and recommendations.

A clarification process with TLC informed the negotiation strategy

TLC's baseline proposal

From late October 2024, DTF led a clarification process to obtain further information on TLC's proposals. This was intended to inform assessments against the reserve price framework and the government's negotiation approach.

DTF requested that TLC provide premium payments under a baseline proposal with different licence terms and lottery tax settings. This 'baseline proposal' was one that required minimum changes to licence settings. It also sought a TLC-preferred proposal with additional changes to licence settings valued by TLC.

TLC's response (November 2024) was the first documented evidence of specific premium amounts being proposed to the government. It set out a baseline proposal, and a TLC preferred proposal incorporating alternative licence settings and a higher premium. This included a proposal for an adverse event mechanism intended to compensate TLC should the government make changes to tax settings.

Approval of reserve price framework

The Treasurer approved the reserve price framework on 27 November 2024. The government received TLC's response to DTF's clarification letter including proposed premium amounts the following day.

An assessment plan was developed to consider TLC's clarification response

DTF and its commercial adviser developed an assessment plan before receiving TLC's clarification response. The plan set out a structured and clearly defined methodology for assessing TLC's proposal, including assessment steps, roles and responsibilities, and reporting requirements.

The plan set out the following objectives:

- maximising the value of the licence, both in terms of upfront licence premium and ongoing lottery tax revenue
- generating an early premium payment for the next licence
- minimising disruption for players and agents
- providing broader community benefits and service enhancements for agents and players.

The plan required the assessment team to evaluate proposals against pre-determined criteria, including whether proposed changes to licence terms are acceptable, whether the licence premium meets or exceeds reserve prices, and whether it could meet the state's objectives. The reserve price framework included scenarios under licence terms of 20, 30 and 40 years, and current and reduced lottery tax settings.

Summary of assessment

An assessment report was prepared in accordance with the assessment plan. This documented the findings and recommendations arising from the evaluation of TLC's clarification response.

The report assessed TLC's baseline proposal against the reserve price framework and other criteria.

The baseline proposal for a 40-year term under current lottery tax settings exceeded the relevant reserve price threshold. The assessment team concluded that the TLC baseline proposal had the potential to meet the state's objectives for a licence with a 40-year term and recommended progressing to bilateral discussions with TLC on that basis.

In April 2025, the government approved the commencement of a relicensing process based on bilateral discussions with the incumbent, while retaining an option to revert to an open competitive process. The accompanying briefing noted the following risks:

- Exceeding value for money expectations for the state can be more challenging under circumstances where there is an incumbent operator. It flagged the development of strategies to mitigate this risk.
- Potential agreement with TLC would be subject to the outcome of proposed legislative amendments including licence term.

In May 2025 the Minister invited TLC to participate in a bilateral relicensing process. The invitation noted that the state would retain the option of reverting to an open competitive approach should negotiations fail to deliver outcomes that met the state's objectives.

4.

Bilateral negotiations

Agencies implemented a range of mechanisms to support negotiation discipline in bilateral discussions with TLC, including a bilateral engagement and negotiation plan.

Not all proposals advanced by TLC were accepted, and some were but with modification. The option to revert to a competitive process remained available during negotiations.

The government also negotiated changes to commercial terms including a material adverse change (MAC) arrangement related to lottery taxation, which substantially increased the premium achieved by the state.

Covered in this section:

- The government had a well-structured plan to guide negotiations
- Agencies actively negotiated with TLC
- The MAC arrangement increased the upfront premium significantly
- The process of evaluation found a 40-year licence term was appropriate
- Compliance oversight
- Assessing value in a bilateral process

The government had a well-structured plan to guide negotiations

A framework for bilateral negotiations

Agencies established mechanisms intended to promote competitive discipline within a bilateral relicensing process. These included reserve prices, defined assessment criteria, a structured negotiation plan, preservation of a fallback competitive process, confidentiality arrangements and probity oversight.

Together, these provided a framework for assessing proposals, negotiating licence terms and managing the risk that the absence of competition would weaken the state's negotiating position. We saw no evidence that gave us cause for concern that these mechanisms were not followed.

Key elements of bilateral engagement and negotiation plan

The key elements of the negotiation strategy and approach were set out in a bilateral engagement and negotiation plan (dated 19 May 2025). The plan established negotiation parameters, governance arrangements, strategic risks and non-negotiable requirements.

The plan set out 4 primary objectives. These were to:

- maximise the premium paid by TLC for any extended licence period
- protect the lottery tax stream generated by the licence
- ensure the integrity of the lottery products is maintained
- further promote responsible gambling and harm minimisation in the licence framework.

The plan also outlined a set of guiding principles to ensure the state could achieve the primary objectives.

They were to …	which says the government should …
respect the incumbency position of TLC	be mindful of TLC's incumbency position with effective control of the national lottery bloc. If pushed too hard, TLC may change its approach, which may lead to a sub-optimal outcome for the state.
focus TLC's mindset on paying higher value for a more attractive licence	remain open to engaging with TLC on value-enhancing opportunities, or 'pockets of value', that benefit TLC and do not go against or cut across the state's objectives.
preserve the optionality of the baseline proposal	retain the option to extend the licence or award a new licence with no changes to existing licence terms and conditions, if negotiations of value-enhancing opportunities become too hard or complex.
preserve a fallback to the competitive process	make sure that the final proposal is higher than the reserve price: that is, a floor price below which the state is prepared to fall back to a competitive process.

The plan also outlined the state's 'non-negotiable' items that would cause a proposal to be immediately disqualified from consideration. Non-negotiables include any proposal that, on a full assessment, has the potential to:

- increase costs to the state (of regulation, operations or in budgetary terms)
- negatively impact the integrity of lottery products
- increase the level of harm from playing lotteries.

Agencies actively negotiated with TLC

TLC response to the EOI

The select EOI was issued to TLC on 27 May 2025. TLC responded to the EOI on 11 July 2025.

On 12 September 2025, following initial policy analysis and other assessments, TLC was requested to further refine and clarify its EOI response through a bid clarification letter. TLC responded to the bid clarification letter on 19 September 2025.

Baseline proposal

Consistent with the EOI invitation, TLC submitted 4 baseline licence extension proposals. The 40-year proposal was TLC's preferred option and was the only option assessed by agencies as meeting their value maximisation expectations. It was the only bid by TLC that met the state's reserve price threshold.

These premiums were unchanged from TLC's November 2024 commercial clarification proposals, which had informed the government's decision to proceed to bilateral negotiations.

Value-add proposals

TLC's proposal responding to the select EOI included possible value-add items. TLC proposed 4 monetary items. If these were accepted by the state, TLC would place a higher premium on the licence. TLC proposed 2 non-monetary items, for which it would not offer a higher premium.

Challenge and refinement of TLC proposals

Agencies did not accept TLC's July 2025 submission without clarification, testing and analysis. During the EOI process:

- 4 rounds of clarification questions were issued (27 questions in total)
- agencies met with TLC
- a formal bid clarification letter was issued in September 2025 seeking refinement and clarification of TLC's proposal
- TLC provided further responses which informed subsequent recommendations.

Agencies did not accept all proposals advanced by TLC, including some value-add items that would have increased the premium.

The MAC arrangement increased the upfront premium significantly

Summary

The final premium paid by TLC for the new licence was $1.145 billion. The licence premium comprises 2 main components:

- a base premium amount for the 40-year licence, accounting for the significant majority of the premium
- a further premium, the significant majority of which reflects the inclusion of a 40-year MAC arrangement.

A MAC arrangement is a contractual mechanism that allocates risk between parties if specified events occur after an agreement is signed. In the context of the lottery licence, changes to lottery tax rates could affect the profitability of the licence holder and therefore the value of the licence.

The MAC arrangement was TLC's main value-add proposal. Under the mechanism proposed by TLC, the government would pay TLC compensation if it chose to raise the lottery tax during the licence term, with compensation capped at the total upfront premium paid for the licence. That is, the government could still choose to raise the lottery tax rate but would need to compensate TLC.

Agencies negotiated TLC's proposed MAC arrangement by accepting the central taxation protection, while narrowing the circumstances in which compensation could be triggered.

The MAC arrangement resulted in a material increase to the premium TLC paid for the licence.

We have chosen not to identify the value TLC placed on the MAC in this report. This is because it may reveal information relevant to TLC's negotiating parameters and assessments of value in the context of any future negotiations with other jurisdictions. We considered disclosure of this information in the context of our obligations under section 62 and section 64 of the *Audit Act 1994*.

Trade-offs

The principal benefit to the state of the MAC arrangement was a significant increase to the upfront premium TLC was willing to pay. Other jurisdictions have MAC-like mechanisms.

Agencies – with input from the commercial adviser – assessed the MAC arrangement as a trade-off between a higher upfront premium and reduced future tax flexibility.

Advice prepared by the commercial adviser and agencies that informed government decisions noted Victoria already has the highest lottery tax rate in Australia at 79.4 per cent, compared with

65 per cent in New South Wales and 48.9 per cent in South Australia. Victoria's tax rate has not materially changed since 1970.

Modelling indicated that licence value was highly sensitive to lottery tax settings. A one percentage point increase in the lottery tax rate was estimated to increase annual tax receipts by approximately $9 million but reduce licence value by approximately $180 million (noting we have not been provided with the modelling underpinning this estimate).

Agencies assessed that providing tax certainty increased TLC's willingness to pay an upfront premium.

Agencies considered that the MAC arrangement did not remove the state's ability to change lottery tax settings. Rather, it altered the financial consequences of doing so by potentially requiring compensation to be paid to the licensee where specified changes occurred. Adviser modelling assessed the potential net financial impact of such scenarios to inform government decision-making.

The process of evaluation found a 40-year licence term was appropriate

EOI evaluation and negotiation outcome report

Consistent with the plan, an evaluation report was prepared which set out the negotiation team's findings on the approval of the licence extension. The report recommended the licence be extended for a 40-year term because:

- the potential for genuine competition for the next licence is unlikely to emerge over the medium term
- the premium value for the proposed 40-year term represents the best value for money of the licensing proposals
- there is a risk that the strategic value of the Victorian licence may reduce over time
- a 40-year licence extension provides greater certainty for retail agents and the likely preservation of the retail channel over the longer term
- a 40-year licence extension would transfer the long-term commercial and operating risks to TLC
- Victoria would continue to benefit from the national scale of TLC.

The report was attached to a March 2026 briefing seeking government endorsement of the Minister's in-principle decision to extend the licence. The report set out the rationale for the findings noted above, with supporting analysis (including for the MAC arrangement).

Compliance oversight

Evidence of compliance

It is VGCCC's role to ensure the ongoing compliance of TLC with legislative regulations. VGCCC monitors TLC by inspections, complaint investigations and audits. Where breaches are identified, VGCCC provides penalties or corrective directions.

For example, in its 2024 audit of TLC, VGCCC identified areas of non-compliance relating to the integrity and security of IT systems and software. As directed by VGCCC, TLC appointed an independent expert to identify the root causes of the issues and provide an assessment and recommendations for remediation. In April 2025, TLC reported that these issues had either been resolved or were 'on track' to be resolved. VGCCC reported receiving regular status updates from TLC, with validation of remediation scheduled to commence from October 2026.

Before TLC was invited to apply for the licence extension, DJCS and DTF considered TLC's compliance record. DJCS reported that TLC had 'demonstrated a strong commitment to regulatory compliance, consumer protection and harm minimisation in its operations in Victoria'.

We found no evidence that gave us cause for concern that TLC's regulatory and compliance track record was not considered in the licence process.

Assessing value in a bilateral process

Valuation models and negotiation mechanisms cannot fully replicate the market testing provided by competition

For an exclusive licence over a 40-year term with unchanged tax settings, the commercial adviser estimated a theoretical value for the licence of around $1.372 billion. This compares to the final premium of $1.145 billion. However, caution is required in comparing the final premium directly with the modelled value. As with any forward-looking valuation, the modelled value is subject to inherent uncertainty and is sensitive to a range of assumptions, including discount rates. The outcome may also reflect the strong incumbency advantages held by TLC.

The mechanisms adopted by agencies were intended to replicate aspects of competitive tension and support a disciplined bilateral negotiation process. We saw evidence that agencies actively assessed and negotiated proposals advanced by TLC. However, those mechanisms could not replicate the price discovery benefits of a competitive process.

As a result, while agencies sought to maximise value within a bilateral framework, it is not possible to know with certainty whether a higher premium could have been achieved under an alternative approach.

5.

Governance and public disclosure

Nothing came to our attention that gave us cause for concern that relevant probity standards and arrangements were not followed throughout the licensing process.

Agencies maintained strict confidentiality to protect commercially sensitive information and support the integrity of the process.

However, aspects of probity planning and implementation could have been managed more effectively.

The government had a credible basis for maintaining confidentiality throughout negotiations. But its approach also reduced transparency over key decisions, including the basis for adopting a bilateral strategy.

Covered in this section:

- Agencies established a comprehensive governance framework, but some arrangements could have been improved
- The government's approach limited public transparency

Agencies established a comprehensive governance framework, but some arrangements could have been improved

Steering committee and working group roles

There is documented evidence of ongoing engagement between key agencies during the pre-EOI stage (November 2023 to May 2025) and the select EOI process (May 2025 to May 2026).

A 2-tier agency governance model was followed, comprising the Gambling Licensing Program (GLP) Steering Committee and a project working group.

The GLP Steering Committee met on matters related to the licence from early 2024. It provided senior oversight and strategic direction for the project. The committee included representatives from DJCS, DTF and DPC who met regularly to review progress, endorse key frameworks and consider strategic issues across a number of licensing projects.

The project working group operated as the primary delivery and coordination body, comprising officers from DJCS and DTF alongside the external project advisers engaged by agencies. It met regularly to coordinate analysis and develop key documentation.

Probity plan

We confirmed with DTF and DJCS that the applicable probity framework was the GLP probity plan, which members of the GLP Steering Committee approved by 21 March 2024. The plan incorporates recognised Victorian Government probity standards, including the Victorian Government Purchasing Board procurement policies.

It is structured around core probity principles, including integrity and impartiality, accountability, consistency and transparency of decision-making, management of conflicts of interest, and the security and confidentiality of information.

The plan sets out expected behaviours, governance roles and responsibilities, and key controls to support these principles, including requirements for conflict-of-interest declarations, maintenance of registers, defined evaluation processes and controlled access to sensitive information.

The project team determined this probity plan to be fit for purpose for the public lottery licensing process project. This probity plan was used as the probity framework for the entire project including market soundings.

Probity adviser

In November 2023, DJCS engaged a probity adviser for the public lottery licensing process. DTF also engaged a probity adviser in July 2024 to provide advice in relation to the licence. After project responsibility returned to DJCS at the EOI stage in May 2025, the DTF-appointed adviser continued as the probity adviser for the project.

The Independent Review Panel considered there should have been greater clarity regarding the respective roles of the 2 probity advisers. It also considered there should have been a clearer description of the role to be performed by the probity adviser throughout the authorisation and licensing process.

Market soundings

Agency staff and their advisers conducting market soundings did not complete conflict-of-interest declarations prior to the soundings. DJCS reported that agency staff completed the conflict-of-interest declarations in November 2024, following the outcomes of the market sounding process and ahead of the confidential assessment report that was received after that in late 2024.

Nevertheless, based on the material we reviewed, we did not identify any matters that gave us cause for concern about the conduct of the market soundings.

Documents were provided to us indicating the type of information to be disclosed to participants in the soundings and the questions to be asked, indicating controls were in place to ensure equity in approach. The probity plan was in place to guide the conduct of personnel during the market soundings. A summary of market sounding feedback provided by each entity was also prepared by agencies, against the questions asked during the interviews with participants.

Conflict-of-interest registers and declarations

All public sector employees are subject to the Victorian Government's *Code of Conduct for Victorian Public Sector Employees*, which sets out conflict of interest and confidentiality obligations.

DJCS and DTF provided conflict-of-interest registers and declarations. We identified minor recording discrepancies in the DJCS register. However, we saw no evidence to indicate that these affected the coverage or monitoring of conflicts of interest.

Protection of reserve price

DTF applied additional controls to protect the integrity of the reserve price framework. Any disclosure of reserve prices had the potential to undermine the integrity of the process, and the value captured by the government.

Controls included a separate password for all materials including and related to the reserve price threshold. Both the password and file storage of these materials were secured and locked down to a small number of individuals. As well, conflict-of-interest declarations confirmed an individual's obligation to adhere to the confidentiality requirements of the project.

Probity adviser reports

Two reports were prepared by the probity adviser.

The first report (dated 3 February 2026) covers up to the select EOI process and its evaluation. The adviser found that the process was conducted in accordance with established probity principles, with no material probity risks, non-compliance or unresolved issues identified.

Its observations indicate that core probity controls – such as predefined evaluation criteria, documented governance arrangements, secure handling of information, and conflict-of-interest processes – were established and followed in practice. The report also records one managed conflict of interest, which was addressed through agreed controls and documented in a register.

The second report (dated 14 May 2026) provides a supplementary assessment for the invitation to apply stage, and reaches a similar conclusion that no material probity risks, non-compliance or unresolved issues were identified.

Nothing came to our attention that would indicate the probity adviser's conclusions were unreasonable.

The second report by the probity adviser was completed after the government executed the licence extension. DJCS advised that the 'main' probity report had been provided to the Minister at an earlier decision stage, prior to the conclusion of the EOI process. This informed the Minister's in-principle decision to agree to extend the lottery licence on 24 February 2026. Agencies also advised that they had met frequently with the probity adviser throughout the process and no probity concerns had been raised. Notwithstanding this, completing the report earlier would have strengthened the contemporaneous documentation of probity oversight.

Independent Review Panel letter of comfort and final report

The Independent Review Panel sent a letter to the Minister on 11 February 2026, advising that within the limits of its jurisdiction, on the material available to it to date, and considering relevant matters required under the Act, the Independent Review Panel has concluded there is no basis for an adverse report. This informed the Minister's in-principle decision to agree to extend the lottery licence in February 2026.

In accordance with legislative requirements, the Independent Review Panel's full report is provided after the granting of a licence extension.

Meeting with the Treasurer

Relevant agencies and TLC advised us that the only meeting they were aware of that took place between TLC and ministers or their staff to discuss the licence extension was in December 2023, when the Treasurer and agency staff met with TLC representatives.

Some aspects could have been managed more effectively

Nothing came to our attention that gave us cause for concern about the integrity of the licensing process. Governance arrangements were established, a probity framework was in place, and neither the probity adviser nor the Independent Review Panel identified material probity concerns.

However, aspects of implementation could have been stronger. Responsibility for probity oversight was not always clearly articulated as responsibilities transitioned between agencies, and the final probity adviser report was completed after the government had finalised its decision.

While we identified no evidence that these matters affected the outcomes of the process, stronger arrangements would have strengthened assurance over the process.

The government's approach limited public transparency

Australian Stock Exchange announcement

The extension of the licence was first publicly disclosed through a TLC announcement to the Australian Stock Exchange on 5 May 2026.

Rationale for not disclosing process

DTF and DJCS advised that maintaining confidentiality throughout the licensing process was critical to preserving competitive tension and protecting the state's commercial position.

Documentation showed agencies considered that disclosing negotiations could trigger legal or regulatory disclosure obligations, including obligations under stock exchange listing rules. TLC, as a listed entity, may have been required to disclose material developments in negotiations to the Australian Stock Exchange if they became public or sufficiently advanced.

DJCS stated that confidentiality of bilateral discussions with TLC supported the following outcomes:

- confidence on TLC's part that its engagement with the government would not be shared with competitors or referenced in conversations and any other government dealings (this ensured the government could secure a maximum value proposal from TLC, including the potential strategic value of the licence to TLC as the incumbent)
- confidence on the government's part that the bilateral engagement process would not produce counterproductive, unsolicited or potentially disruptive input that could derail negotiations ahead of an open and competitive process, should the bilateral process fail and thus, a competitive process be required
- a level of probity and compliance expected by oversight bodies, such as the Independent Review Panel, regarding a pre-open market bilateral engagement process, as is usual for exceptionally high-value gambling licensing processes.

These considerations provide a credible basis for maintaining confidentiality throughout negotiations. But confidentiality also reduced transparency over key decisions, including the basis for the government's decision to adopt a bilateral strategy. As a result, Parliament and the community have had limited visibility about the process and the reasons it was adopted.

It is important for agencies to actively consider how to balance transparency objectives with confidentiality requirements from the early stages of major commercial transactions. This includes identifying:

- what information could be disclosed
- when disclosure could occur
- how key decisions and their rationale could be explained to Parliament and the public.

6. Appendices

There are 3 appendices covering responses from reviewed agencies and information about how we perform our work.

Appendix A: Submissions and comments

We have consulted with the Department of Justice and Community Safety, the Department of Premier and Cabinet, the Department of Treasury and Finance, and the Victorian Gambling and Casino Control Commission, and we considered their views when reaching our review conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

Response provided by the Secretary, Department of Justice and Community Safety

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Department of Justice and Community Safety

Secretary

121 Exhibition Street
Melbourne Victoria 3000
Telephone: (03) 8684 0501
justice.vic.gov.au

Our ref: 26083937

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
By email: [redacted]

Dear Mr Greaves

Proposed report: Public Lottery Licence Extension

Thank you for your letter of 19 August 2026 to provide the proposed report on Public Lottery Licence Extension for final response.

The Department of Justice and Community Safety (the department) is committed to ensuring that arrangements for the issuing of lottery and related licences comply with the relevant legislation and are conducted with appropriate levels of independent probity oversight.

The department has reviewed the report and encloses feedback suggesting amendments to Recommendation 2 to more closely align to the language of Recommendation 1. Specifically, DJCS' interpretation is that Recommendation 2 involves the application of the framework developed under Recommendation 1 to future processes for awarding or extending gambling licences. If no such framework was developed, DJCS would then develop and apply guidance to support decision-making regarding whether to disclose key government decisions about the processes agreed to award or extend those licences.

The department accepts in principle VAGO's recommendation and has attached an action plan to acquit the actions, with the first of three actions to be acquitted by 30 November 2026, and the following two actions dependent on central agencies' implementation of Recommendation 1.

If your office requires further information, please contact [redacted], Executive Director, Data, Performance and Governance on [redacted] or via email at [redacted].

Yours sincerely

Emma Cassar PSM
Secretary
3 / 09 /2026

Encl. DJCS Action Plan – Public Lottery Licence Extension

DJCS feedback on proposed report PROTECTED

Public Lottery Licence Extension

Feedback from: [redacted], Gaming & Liquor

Page & paragraph	VAGO's comments and DJCS's responses
Page 8, Recommendation 2	VAGO's comment 'Apply the framework developed under Recommendation 1 to future processes for the awarding or extension of gambling licences. If such a framework is not established, develop guidance that addresses the same transparency and commercial confidentiality considerations.' DJCS's response Greater clarity could be provided in the second sentence of VAGO's Recommendation 2, by more closely replicating the language of Recommendation 1, to minimise future confusion and increase the likelihood that implementation will replicate fully the intention of Recommendation 2. Suggested action, change or alternative text VAGO may wish to consider echoing the language of Recommendation 1 in the second sentence of Recommendation 2, along the following lines: 'Apply the framework developed under Recommendation 1 to future processes for the awarding or extension of gambling licences. If such a framework is not established, develop and apply guidance to support decision-making regarding whether to disclose key government decisions about the processes agreed to award or extend those licences.'

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VICTORIA State Government | Justice and Community Safety

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DJCS action plan

Public Lottery Licence Extension

#	VAGO recommends that DJCS/relevant agencies:	Response	#	DJCS will:	By:
1	Apply the framework (developed under Recommendation 1) to future processes for the awarding or extension of gambling licences. If such a framework is not established, develop guidance that addresses the same transparency and commercial confidentiality considerations.	Accept in principle	1.1	Capture lessons learned through the licensing process.	30/11/2026
			1.2	Subject to DTF and DPC's implementation of Recommendation 1, apply the framework for assessing how and when information about major commercial transaction processes should be disclosed.	The next licensing process (yet to be determined)
			1.3	Should DTF and DPC not implement Recommendation 1, develop guidance for disclosing information about the licencing process that balances the need for public transparency against commercial confidentiality before any future licensing process occurs.	Before the next licensing process commences (yet to be determined)

Page 1 of 1

Response provided by the Secretary, Department of Premier and Cabinet

Department of
Premier and Cabinet

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East Melbourne, Victoria 3002 Australia
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BSEC-260800461

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Auditor-General

Thank you for inviting the Department of Premier and Cabinet (DPC) to respond to the Victorian Auditor-General's Office Proposed Report on the Public Lottery Licence Extension (the Report).

DPC acknowledges the five key findings and three recommendations outlined in the Report and accepts, in principle, the joint recommendation directed to the Department of Treasury and Finance and DPC (Recommendation 1). Please find enclosed DPC's agency action plan outlining how DPC will acquit this recommendation.

DPC supports the development of the framework outlined in Recommendation 1. However, DPC considers that major infrastructure projects already have in place adequate processes for disclosing information and should be excluded from the framework's scope.

Thank you for the opportunity to comment on the Report.

Yours sincerely

Chris Barrett
Secretary

28 / 8 / 2026

cc Secretary, Department of Treasury and Finance

enc Agency action plan - DPC

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.

VICTORIA State Government

OFFICIAL: Sensitive

Department of Premier and Cabinet action plan to address recommendation from *Victorian Lottery Licence Extension*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	Work with relevant agencies to develop a framework for assessing how and when information about major commercial transaction processes should be disclosed to support public understanding of key government decisions and their rationale, taking into account commercial confidentiality requirements	☐ Yes ☐ No ☐ In part ☒ In principle	DPC will provide whole-of-government support to DTF as required to support the development of the framework. DPC supports the development of the framework. However, DPC considers that major infrastructure projects already have in place adequate processes for disclosing information and should be excluded from the framework's scope.	July 2027

OFFICIAL: Sensitive

Response provided by the Acting Secretary, Department of Treasury and Finance

Department of Treasury and Finance

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CSEC- 260800280

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31
35 Collins Street
MELBOURNE VIC 3000

[redacted]

Dear Auditor-General

RESPONSE TO VAGO'S PROPOSED REPORT - PUBLIC LOTTERY LICENCE EXTENSION

Thank you for your letter dated 19 August 2026, inviting the Department of Treasury and Finance (DTF) to comment on the proposed report for the Public Lottery Licence Extension limited assurance review (the Report).

DTF welcomes the positive findings of the Report, and notes VAGO's acknowledgement and findings that the Victorian public lottery licence extension processes were informed by a structured program of work and decisions and that there was a credible basis for adopting a bilateral negotiation process with the incumbent licensee, Tattersall's Sweeps Pty Ltd through its parent company The Lottery Corporation (TLC) to optimise value for Victoria. DTF also welcomes VAGO's acknowledgement in the Report of the probity and integrity of the licence extension process.

As acknowledged in the Report, the State implemented a robust licensing process to deliver optimal value for the Victorian public lottery licence following an assessment of the lottery market. This market assessment supported informed decisions that a bilateral process was the best pathway to optimise value for the State. DTF welcomes VAGO's conclusion in the Report that the Government had sound reasons for negotiating with TLC bilaterally.

The $1.145 billion premium achieved through the process is the highest price paid for an Australian lottery licence, and more than 9.5 times the premium from the 2018 licence for increasing the licence term from the current 10-year term to 40-years.

DTF provided robust advice to support informed Government decisions throughout the licensing process. Financial modelling supporting the process was based on appropriate assumptions that were informed by, and cross-checked against, comparable licensing processes in Victoria and other jurisdictions, market soundings, as well as industry insights from DTF and its commercial adviser.

VICTORIA State Government

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DTF accepts the recommendations for DTF in the Report, noting Recommendation 1 is accepted in principle. DTF considers the framework proposed by Recommendation 1 should exclude major infrastructure projects, noting these are already subject to processes under established guidelines.

Thank you again for the opportunity to respond to the Report and for your team's consultative approach in conducting the review.

Yours sincerely

Camille Kingston
Acting Secretary

31 August 2026

Attachments encl.: Department of Treasury and Finance action plan to address recommendations from VAGO's proposed report *Public Lottery Licence Extension*

Page 2 of 2

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Response provided by the Acting Secretary, Department of Treasury and Finance, *continued*

Department of Treasury and Finance action plan to address recommendations from *Public Lottery Licence Extension*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	Work with relevant agencies to develop a framework for assessing how and when information about major commercial transaction processes should be disclosed to support public understanding of key government decisions and their rationale, taking into account commercial confidentiality requirements	☐ Yes ☐ No ☐ In part ☒ In principle	DTF will work with the Department of Premier and Cabinet to develop a framework for assessing how and when information regarding major DTF-led commercial transaction processes (excluding major infrastructure projects) is disclosed publicly. DTF notes there are established processes for the procurement of major infrastructure projects, including under the Investment Lifecycle and High Value High Risk Guidelines, the Partnerships Victoria Requirements and Market-led Proposals Guideline.	July 2027
3	For major commercial transactions, ensure that key cost assumptions underpinning valuations and reserve prices are cross-checked against alternative estimation approaches where appropriate, and subjected to sensitivity analysis	☒ Yes ☐ No ☐ In part ☐ In principle	DTF advises that assessments of potential major commercial transactions already include cross-checking of key valuation assumptions against alternative approaches, and applying sensitivity analysis, where appropriate. DTF will continue to ensure that these processes are clearly articulated and well-documented including the rationale for the approach taken.	Completed

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Response provided by the Chair, Victorian Gambling and Casino Control Commission

OFFICIAL

1 September 2026

Mr Andrew Greaves

Auditor-General

Level 31, 35 Collins Street

Melbourne Vic 3000

Dear Mr Greaves,

Re: Proposed Report: Public Lottery Licence Extension

Thank you for your letter dated 19 August 2026 regarding the proposed report for the Public Lottery Licence Extension for review and comment.

The Victorian Gambling and Casino Control Commission has reviewed the report and has no comments to provide.

Yours sincerely

Mr Chris O'Neill APM

Chair

Victorian Gambling and Casino Control Commission

cc. Suzy Neilan, Chief Executive Officer, Victorian Gambling and Casino Control Commission

[redacted] Director, Economy and Infrastructure – Parliamentary Reports and Services, Victorian Auditor-General's Office

Victorian Gambling and Casino Control Commission

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Appendix B:
Abbreviations, acronyms and glossary

Abbreviations

We use the following abbreviations in this report:

Abbreviation	Full spelling
the Act	*Gambling Regulation Act 2003*
the licence	Victorian public lottery licence
the Minister	Minister for Casino, Gaming and Liquor Regulation

Acronyms

We use the following acronyms in this report:

Acronym	Full spelling
DJCS	Department of Justice and Community Safety
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
EOI	expression of interest
GLP	Gambling Licensing Program
MAC	material adverse change
TLC	The Lottery Corporation
VAGO	Victorian Auditor-General's Office
VGCCC	Victorian Gambling and Casino Control Commission

Glossary

The following terms are included in or relevant to this report:

Term	Explanation
Level of assurance	This is a measure of the confidence we have in our conclusions. The quality and quantity of evidence we obtain affects our level of assurance. We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.
Limited assurance	We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements **assurance reviews** and typically express our opinions in negative terms. For example, 'nothing has come to our attention to indicate there is a problem'. See our assurance services fact sheet for more information.
Reasonable assurance	We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to draw a conclusion against an objective with a high level of assurance. We call these **performance audits**. See our assurance services fact sheet for more information.

Appendix C:
Review scope and method

Scope of this review

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
DTF	DTF advises the government on the Budget and commercial matters, including valuation, negotiation strategy and assessment of value for the state.
DPC	DPC participates in steering committees and working groups as part of the licensing process.
DJCS	DJCS administers the legislative framework and supports the Minister on licensing matters.
VGCCC	VGCCC oversees regulatory compliance, including monitoring the licensee’s adherence to licence conditions and responsible gambling obligations.

Our review objective

To assess whether the public lottery licence extension optimised value for the state.

What we examined

Agencies' actions and advice to the government relating to the 40-year public lottery licence extension. This included examining:

- the decision to adopt a bilateral negotiation process
- agencies' actions to support competitive tension
- alignment with commercialisation and probity policies
- how value for money was assessed.

We examined these areas by reviewing or analysing:

- documentation explaining the options considered for the lottery contract, including supporting financial analysis, scenario testing and modelling
- documentation related to the consideration of competition for the lottery contract, and strategies for maintaining competitive tension during negotiations
- documentation relating to the commercialisation process and reports prepared by probity advisers and/or auditors.

Why we conducted this review

In May 2026 it was announced that the Victorian Government had reached agreement with The Lottery Corporation on a 40-year extension of the Victorian public lottery licence. The existing 10-year agreement with The Lottery Corporation was set to expire on 30 June 2028. As part of the agreement, The Lottery Corporation will pay an upfront premium to the Victorian Government of $1.145 billion.

The extension was awarded following a period of exclusive, bilateral negotiations between the Victorian Government and The Lottery Corporation.

The transaction warrants examination to assess whether the licensing strategy was appropriate, sufficient competitive tension was achieved during negotiations, and whether the resulting agreement optimised value for money for the state.

Aspects of performance examined

Our mandate for performance audits and assurance reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this review we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
○	●	○	○

Key:

● Primary focus

◍ Secondary focus

○ Not assessed

Conducting this review

Assessing performance

To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry		Criteria	
1.	Was the decision to adopt a bilateral negotiation process supported by robust evidence and advice?	1.1	The benefits and risks of potential competition for the lottery licence extension were credibly assessed by agencies as part of an options analysis.
		1.2	A sound evaluation framework and scenario analysis was used by agencies to assess and recommend options.
		1.3	Agencies provided sound advice to the government on the benefits and risks of the recommended approach.
2.	Did DTF and DJCS follow relevant commercialisation and probity policies and processes?	2.1	The licence process complied with relevant policies and frameworks.
		2.2	The exclusive bilateral negotiation process with the incumbent acted to support competitive tension, including by maintaining a credible threat of competition.
3.	Did the 40-year public lottery licence extension optimise value?	3.1	The extent and nature of benchmarking and structured price testing established a credible floor price.
		3.2	Risk allocation was appropriate and any risks retained by the state reflect the price paid.

Our methods

As part of the review we:

- requested and reviewed documents provided by agencies
- analysed spreadsheet models
- conducted interviews.

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Compliance

We conducted our review in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain limited assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

Cost and time

The full cost of the review and preparation of this report was $200,318.

The duration of the review was 4 months from initiation to tabling.

Auditor-General’s reports tabled in 2026–27

Report title	Tabled
Delivering the Suburban Rail Loop (2026–27: 1)	August 2026
Maintaining State Roads (2026–27: 2)	September 2026
Public Lottery Licence Extension (2026–27: 3)	September 2026

All reports are available on our website in PDF and HTML format at www.audit.vic.gov.au.

Our role and contact details

The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet About VAGO.

Our assurance services

Our online fact sheet Our assurance services details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

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